

# HOUSE BILL REPORT

## HB 1909

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**As Reported by House Committee On:**  
State Government Operations & Accountability

**Title:** An act relating to the creation of the office of inspector general.

**Brief Description:** Creating the office of the inspector general.

**Sponsors:** Representatives Hinkle, Pettigrew, Armstrong, Kessler, Holmquist, Miloscia, Priest, Dunshee, Nixon, Ericks, Williams, Haigh and Anderson.

**Brief History:**

**Committee Activity:**

State Government Operations & Accountability: 2/25/05, 3/2/05 [DPS].

**Brief Summary of Substitute Bill**

- Creates the Office of Inspector General to conduct and coordinate fraud investigations and to inform the Governor and the Legislature about program vulnerabilities and deficiencies relating to the detection and prevention of fraud.

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**HOUSE COMMITTEE ON STATE GOVERNMENT OPERATIONS & ACCOUNTABILITY**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Haigh, Chair; Nixon, Ranking Minority Member; Clements, Assistant Ranking Minority Member; McDermott, Miloscia, Schindler and Sump.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Green, Vice Chair; and Hunt.

**Staff:** Marsha Reilly (786-7135).

**Background:**

Many state agencies that suspect fraud will notify the Washington State Patrol for investigation. However, several agencies have internal divisions or units that investigate allegations of fraud.

The Investigations Program within the Department of Labor and Industries investigates statewide industrial insurance claims, forged warrant investigations, and industrial insurance discrimination investigations. The program includes 40 field investigators for workers' compensation claims and seven field investigators for conducting discrimination issues related

to industrial insurance. The Department of Labor and Industries also has a Provider Fraud Investigation Program. This program employs four auditors and one investigator charged with auditing and investigating alleged frauds and abuse by providers of medical and vocational services to injured workers, as well as to providers of medical products.

The Office of Special Investigations within the Employment Security Department employs 14 investigators for preventative fraud and fraud investigation. The preventative fraud consists of (1) screening claims through the Social Security Administration to crossmatch names, birth dates, addresses, and social security numbers for purposes of identify theft, and (2) conducting weekly comparisons of claims data with the new hire data administered by the Department of Social and Health Services for purposes of fraudulent claims. The office also follows up on tips and leads received from individuals as well as employers.

The Department of Social and Health Services' Office of Special Investigations (OSI) investigates fraud in all programs administered by the department. The OSI attempts to detect fraud through the administration of several programs, including the Fraud Early Detection (FED) and General Investigation programs (GI).

The FED program attempts to uncover fraud before benefits are distributed to applicants by investigating applications that contain apparent discrepancies. Applications are referred to FED investigators by local welfare offices. If FED determines that fraud has been committed, it notifies the local welfare office so that it may deny the application. The GI investigates department overpayment to recipients for evidence of fraud. When an investigation uncovers evidence of fraud, the office's investigation is referred to a county prosecutor for legal action.

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### **Summary of Substitute Bill:**

The Office of Inspector General (OIG) is created within the Office of the Governor. The purpose of the OIG is to conduct and supervise independent investigations relating to allegations of fraud and to inform the Governor and the Legislature about vulnerabilities and deficiencies relating to the detection and prevention of fraud. All powers, duties, and functions of state agency fraud units are transferred to the OIG.

The Inspector General is appointed by the Governor, with confirmation by the Senate, on the basis of integrity and demonstrated ability in law enforcement management, public administration, and investigations.

Specific duties include the following:

- conduct, supervise, and coordinate fraud investigations;
- provide policy direction relating to program integrity and fraud;
- review proposed legislation relating to the detection and prevention of fraud and make recommendations for improvement; and
- conduct, supervise, and coordinate, relationships between fraud units and federal, state, and local governmental agencies, and nongovernmental entities.

The OIG is authorized to apply for and execute warrants and serve process of law. The OIG may also administer oaths, take testimony, and issue subpoenas. Investigations where substantial evidence supporting a finding of a violation of federal or state criminal law must be referred to the appropriate prosecuting authority for possible criminal prosecution.

The OIG may request information or assistance from a federal, state, or local governmental entity and may enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies or private entities.

Reports summarizing the activities of the OIG must be submitted to the appropriate committees of the Legislature on November 30, 2005, November 30, 2006, and by November of every even-numbered year thereafter. In addition to information regarding investigations and vulnerabilities and deficiencies in the prevention of fraud, the reports will include corrective actions taken by government entities relating to fraud.

The whistleblower law is amended to protect individuals assisting the OIG from discrimination or retaliation.

**Substitute Bill Compared to Original Bill:**

Under the original bill, fraud units were directed to coordinate fraud investigations with the OIG. The substitute bill transfers all fraud units to the direct authority of the OIG and removes the provision establishing the OIG as a criminal justice agency.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect on July 1, 2005.

**Testimony For:** (In support of original bill) Consolidates fraud investigation under one chain of command. Benefits are paid out every year. There needs to be greater independence of fraud investigation and consolidated chain of command to increase transparency, not to increase the number of fraud units. This legislation fits with independent performance audits. It is important to have a good investigational organization.

(With concerns on original bill) There are concerns on how this legislation would integrate with the new bill on the use of worker's compensation funds.

**Testimony Against:** None.

**Persons Testifying:** (In support of original bill) Representative Hinkle, prime sponsor.

(With concerns on original bill) Greg Smith, Independent Businesses Association; and Amber Carter, Association of Washington Businesses.

**Persons Signed In To Testify But Not Testifying:** None.